

DRAFT OF PROPOSED COVENANTS, RESTRICTIONS AND CONDITIONS

15.5 Insurance During Construction. Tenant, or its generals, shall maintain construction insurance and workers' compensation insurance during any periods of construction in commercially reasonable amounts naming Landlord as additional insured.

16. Repairs and Maintenance. Tenant, at its expense, shall make all repairs as shall be reasonably necessary to keep the Demised Leased Premises in good condition and repair during the Lease Term. Tenant's maintenance shall include the care and maintenance of any and all landscaping within the Leased Premises. Tenant, at the expiration of this lease or earlier termination thereof shall quit and surrender the Leased Premises in good condition and repair. During the Lease, Landlord shall not be required to maintain or repair any portion of the Leased Premises.

17. Compliance with Laws. Tenant shall not use or permit the use of the Leased Premises in violation of any law or ordinance of the United States, the State, City and County in which the property is located or any other governmental authority. Tenant shall be responsible for ensuring that the Leased Premises complies with all applicable laws at all times during the Term of this Lease.

18. Improvements by Tenant.

18.1. Landlord Approval Not Required. Tenant shall have the obligation, at Tenant's cost and expense, to make such improvements and alterations upon the Leased Premises as Tenant may determine necessary for the operation of its business or as required by the Franchisor

18.2. Improvements in the Final Years of the Lease Term. Tenant shall not be required to perform any item of maintenance, repair, replacement and the like to the heating, ventilating and air conditioning system, plumbing system, mechanical systems, electrical system, roof, foundation, and structural portions of the Leased Premises or obligations for compliance with law, the cost of which would exceed \$25,000.00 (hereinafter referred to as a "Capital Expense") during each of the last two (2) years of the Lease Term, or, if Tenant has exercised any of its options to renew, during each of the last two (2) years of the Renewal Term then in effect. In the event a Capital Expense occurs as provided herein, Tenant shall have the right to terminate the Lease.

19. Glass. Tenant agrees to maintain, repair and replace all glass on the Leased Premises that is broken or damaged during the Term of this lease with a glass of the same quality as that broken or damaged.

20. Landlord's Restriction. Subject to existing tenants' rights (including their successors, assigns and replacements) and closures for repair or remodeling, so long as Tenant is open and operating as a Taco Bell restaurant and is not in default past any applicable cure period, Landlord agrees that no property owned, leased or controlled by Landlord within one (1) mile of the Leased Premises shall be sold, leased, used or occupied during the Term of this Lease or any extension thereof (a) for a quick service restaurant or fast casual restaurant or mobile restaurant that sells prepared Mexican food; or (b) which interferes with access to the Leased Premises or obstructs the visibility of the Tenant Improvements or Tenant's signage in any manner. Tenant shall be entitled to a Declaration of Restrictive Covenants against any other property owned by Landlord or an affiliate of Landlord within one (1) mile of the Leased Premises.

LANDLORD'S PROTECTIONS AND RIGHTS

21. Default by Tenant. The following events will constitute events of default by Tenant under this Lease:

a. Tenant's failure to pay any installment of rent when due and the continuance of the failure for a period of ten (10) days after receipt by Tenant of written notice from Landlord; or

b. Tenant's failure to perform, in any material respect, any of the other covenants, conditions and agreements in this Lease and the continuance of the failure for a period of thirty (30) days after receipt by Tenant of written notice from Landlord (or such longer period as may be required in order to effect such cure, provided Tenant commences the cure within such 30-day period and diligently prosecutes the cure to completion); or

c. If Tenant (1) files a petition commencing a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law; (2) makes a general assignment for the benefit of its creditors; (3) files an application for, or consents to, the appointment of any receiver or a permanent or interim trustee of Tenant or of all or a substantial portion of its property; (4) files a petition seeking a reorganization of its financial affairs or to take advantage of any bankruptcy, insolvency or similar law, or files an answer admitting the material allegations of a petition filed against it in any proceeding under any such law; (5) takes any action for the purpose of effecting any of the foregoing; or (6) is the subject of a decree or order for relief by a court having jurisdiction over Tenant in any involuntary case under any applicable federal or state bankruptcy, insolvency or similar law; or

d. If any proceedings brought against Tenant seeking any of the relief mentioned in Section 21(c)(6) are not dismissed within ninety (90) days.

If Tenant fails to cure a default within the cure period specified in this Lease, Landlord may, at its option, (i) provide Tenant with written notice of election to terminate this Lease on a date that is not less than ten (10) business days after receipt of such written notice from Landlord, (ii) bring suit for the collection of rent as it becomes due without cancellation or termination of this Lease, or (iii) provide Tenant with written notice of election to terminate Tenant's possession of the Leased Premises (without termination of this Lease) on a date specified in the written notice. The date of termination of the Lease or of Tenant's possession of the Leased Premises, as applicable, will be not less than ten (10) business days after the date of receipt by Tenant of the written notice from Landlord. On terminating this Lease or terminating Tenant's possession of the Leased Premises, Landlord may pursue any and all legal and equitable remedies available to Landlord; provided, however, Landlord shall not seek punitive or consequential damages against Tenant. Notwithstanding anything in this Section 21 or except as otherwise specifically provided in this Lease to the contrary, if, within ten (10) business days following Tenant's receipt of a notice of default of a non-monetary obligation under this Lease (a "Non-Monetary Default"), Tenant gives Landlord written notice that Tenant disputes in good faith and upon reasonable grounds the existence of such Non-Monetary Default, then Landlord may not exercise any right to terminate this Lease on account of such Non-Monetary Default unless (A) Landlord has obtained a final

judgment against Tenant (which is no longer subject to appeal) by a court having jurisdiction over the parties, which final judgment finds that such Non-Monetary Default exists and (B) Tenant has failed to cure such Non-Monetary Default within fifteen (15) business days following such final judgment, provided that if the nature of such Non-Monetary Default is such that the same cannot reasonably be cured within such fifteen (15) business day period, Tenant shall have such additional time necessary if Tenant commences the cure within such fifteen (15) business day period and thereafter diligently proceeds to cure such Non-Monetary Default as soon as possible thereafter.

Following any termination of this Lease or Tenant's possession of the Leased Premises, Landlord may re-enter the Leased Premises and recover possession and dispossess all occupants in the manner prescribed by statute relating to summary proceedings or similar statutes. Landlord agrees to use reasonable efforts to re-let the Leased Premises in order to mitigate Landlord's damages in the event of a default by Tenant under this Lease.

In addition to the foregoing remedies, if Tenant fails to perform any duty or obligation of Tenant under this Lease, Landlord may at its option without waiver of Default or of any other right or remedy, perform any such duty or obligation on Tenant's behalf. The costs and expenses of any such performance by Landlord will be immediately due and payable by Tenant upon receipt from Landlord of the reimbursement amount required.

22. Indemnification.

22.1 Tenant Indemnification. Tenant shall indemnify, protect, defend and hold harmless the Landlord and its agents, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving or in connection with, the use and/or occupancy of the Leased Premises by Tenant, except to the extent caused by Landlord's negligence or willful misconduct. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense.

22.2 Landlord Indemnification. Landlord shall indemnify, protect, defend and hold harmless the Tenant and its agents, from and against any and all claims arising from the contamination of the Leased Premises by any prior occupant, as well as any and all claims, damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities caused by Landlord's negligence or willful misconduct. Landlord's indemnification shall include, without limitation, primary responsibility for any testing, investigation, and the preparation and implementation of any remedial action plan required by Landlord. If any action or proceeding is brought against Tenant by reason of any of the foregoing matters, Landlord shall upon notice defend the same at Landlord's expense by counsel reasonably satisfactory to Tenant and Tenant shall cooperate with Landlord in such defense.

23. Personal Property at Risk of Tenant. Landlord shall not be liable for any damage to property of Tenant or of others located on the Leased Premises, nor for the loss or damage to any property of Tenant or of others by theft or otherwise regardless of the cause of such damage. Landlord shall not be liable for any injury or damage to persons or property resulting from Tenant's Use of the

Leased Premises, fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow, or leaks from any part of the Leased Premises or from the pipes, appliances, or plumbing, or from the roof, street or subsurface, or from any other place, or by dampness, or by any other cause of whatsoever nature .

24. Financing and Refinancing. Landlord agrees to obtain from the holder of any mortgage, deed to secure debt or other security instrument now or later placed against the Leased Premises, a Subordination, Non-Disturbance and Attornment Agreement in commercially reasonable form Tenant agrees to execute all documents necessary for Landlord to refinance or rehypothecate the Leased Premises within ten (10) business days of receipt by Tenant, provided, however, that such documents, by their terms, comply with the terms of this agreement.

24.1 Estoppel Certificate. Either party will execute and deliver to the other (the party making the request shall be the "Requesting Party" and the party receiving the request shall be the "Receiving Party"), within ten (10) business days after written request, a written Estoppel Certificate in form prepared by the Requesting Party certifying: (i) that this Lease is unmodified and in full force and effect (or, if modified, specifying each such modification); (ii) the Commencement Date and expiration of the Lease Term; (iii) the absence or status of any rights of Tenant to renew, extend, or otherwise alter the Lease Term or to lease additional space or alter the definition of the Leased Premises; (iv) the date to which rent and any other charges are paid in advance, if any; (v) that there are not, to the receiving party's knowledge, any uncured Defaults on the part of Requesting Party, or stating the nature of any uncured Defaults; and (vi) the current Base Rent amount and the amount and form of the Security Deposit on deposit with Landlord. Any such Estoppel Certificate may be relied upon by the Requesting Party, and also by any third party designated by the Requesting Party (the "Beneficiaries").

25. Rights Cumulative. All rights and remedies of the Landlord under or in connection with this Lease shall be cumulative, and none shall be exclusive of any other rights or remedies allowed by law.

TENANT'S PROTECTION AND RIGHTS

26. Landlord's Warrants of Title and Quiet Enjoyment. Landlord covenants and warrants that it has full right and lawful authority to enter into this Lease for the full Lease Term hereof, and for any extensions provided herein, Landlord is lawfully seized of the entire Leased Premises and has good title thereto, free and clear of all liens and encumbrances except such mortgages and other encumbrances of record as of the Effective Date of this Lease.

Landlord further covenants and warrants that if Tenant shall fully and timely discharge the obligations herein set forth to be performed by Tenant, then Tenant shall have and enjoy during the Term of this Lease and any renewals and extensions thereof, the quiet and undisturbed possession of the Leased Premises for the uses herein described.

27. Removal upon Termination. At the expiration or termination of the Lease Term of this Lease, or of any extension or renewal thereof, Tenant may, in Tenant's sole discretion (i) surrender the Leased Premises in good condition and repair, and shall surrender all keys for the Leased

Premises to the Landlord at the place then fixed for the payment of the rent or (ii) remove some or all of the Tenant Improvements on the Leased Premises, including but not limited to any and all fixtures, furniture, equipment and inventory.

28. Assignment and Subletting. Tenant shall not assign this Lease and shall not let or sublet the whole or any portion of the Leased Premises without the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed. It shall be deemed reasonable for Landlord to withhold its consent to a proposed transfer for any of the following reasons:

(i) The proposed transfer would breach any written covenant of or affecting Landlord concerning radius, location, use or exclusivity in any other written lease or other written agreement relating to the Leased Premises; or

(ii) The proposed assignee's or subtenant's financial status would be unsuitable to insure the ability of the proposed assignee or subtenant to perform Tenant's obligations under this Lease; or

(iii) The proposed assignee's or subtenant's use would mean that Hazardous Materials, would be present on the Leased Premises; or

(iv) The use of the Leased Premises by the proposed subtenant or assignee would not be within the scope of the Permitted Use, or would violate or create a potential violation of any laws, ordinances or governmental regulations; or

(v) Tenant is in default under this Lease; or

(vi) the proposed assignee's or subtenant's business is of a character which is not, in Landlord's opinion, consistent with the character of the Leased Premises; or

(vii) the proposed assignee or subtenant will not conduct substantially the same type, class, nature, and quality of business, merchandise, services, and management as the Tenant did when it entered this Lease.

Notwithstanding the foregoing, Tenant may, without Landlord's consent, sublet all or any portion of the Leased Premises or assign the Lease to: (a) a parent, subsidiary, affiliate, division or legal entity controlling, controlled by or under common control with Tenant; (b) a successor entity related to Tenant by merger, consolidation, non-bankruptcy reorganization or government action; or (c) Franchisor or any franchisee of Franchisor who intends to continue to operate the Leased Premises for the Permitted Use (as defined in Section 14 above) (each of the foregoing is a "Permitted Transfer"). Following any Permitted Transfer, Tenant shall remain liable for two (2) years after the date of assignment, unless Landlord is provided with, and is satisfied with the assignee's or sublessee's financials, and if the Landlord is satisfied, Tenant is released from any further liability under the Lease upon transfer to the assignee or sublessee. Notwithstanding the foregoing, following a Permitted Transfer to a franchisee, Tenant is released from further liability under this Lease if, as a result of the Permitted Transfer, Assignee and its affiliates collectively

own and operate five (5) or more restaurants. For the purpose of this Lease, any sale or transfer of Tenant's equity interests, redemption or issuance of additional equity interest of any class shall not be deemed an assignment, subletting or any other transfer of this Lease or the Leased Premises. Landlord shall not be entitled to any consideration in connection with any assignment or sublet, except for excess rents payable by an assignee or subtenant in excess of the rent payable under the Lease. Except as provided above with respect to a Permitted Transfer, Tenant shall remain liable under the Lease following any other assignment or sublease; provided, however, that Tenant's obligations may not be enlarged or extended by any act or agreement of any assignee or subtenant.

29. Landlord's Default. In the event Landlord fails to perform any obligation required to be performed under this Lease, Tenant will notify Landlord in writing of such failure. Landlord shall not be deemed in Landlord Default hereunder unless and until such notice is actually received by Landlord and Landlord fails within thirty (30) days of receipt of such notice to commence to make a good faith effort to cure the failure or thereafter ceases to pursue such cure to completion.

COMMON PREROGATIVES

30. Damage or Destruction. If the Leased Premises is damaged or destroyed by fire or other casualty, Tenant will immediately give written notice to Landlord of the casualty. Tenant will have the right to terminate this Lease following a casualty if any of the following occur:

- (i) insurance proceeds actually paid to Tenant and available for use, plus the amount of the applicable deductible are not sufficient to pay the full cost to fully repair the damage;
- (ii) Tenant determines that the Leased Premises cannot be fully repaired within 180 days; or,
- (iii) the Leased Premises are damaged or destroyed within the last twelve (12) months of the Lease Term.

If Tenant elects to terminate this Lease, Tenant will be entitled to retain all applicable insurance proceeds. If this Lease is not terminated, Tenant will repair the Leased Premises and this Lease shall continue. The repair obligation of Landlord shall be limited to repair of the Leased Premises excluding any personal property and trade fixtures of Tenant. During the period of repair, rent will be abated or reduced in proportion to the degree to which Tenant's use of the Leased Premises is impaired.

31. Condemnation. If any portion of the Leased Premises which would substantially interfere with Tenant's ability to conduct business is taken for any public or quasi-public purpose by any governmental authority, including but not limited to, by exercise of the right of appropriation, inverse condemnation, condemnation or eminent domain, or sold in lieu of such taking, Tenant, at its option, may terminate this Lease without liability. If this Lease is not terminated, Tenant will promptly proceed to restore the Leased Premises to substantially the same condition as prior to such taking allowing for any reasonable effects of such taking. Should a portion of the Leased Premises be taken in a case where Tenant does not exercise its right to terminate this Lease, Landlord will abate the rent corresponding to the term during which, and to the part of the Leased Premises which, Tenant is deprived on account of such taking. Any award for any taking or payment made in lieu of exercise of such power will be apportioned between

Landlord and Tenant based upon the value of Landlord's real estate and the value of any Tenant Improvements taken.

32. Force Majeure. In the event that either party hereto shall be delayed or hindered in or prevented from the performances of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or any reason of a like nature, not the fault of the party delayed in performing work or doing acts required under the terms of this lease, then performance of such act shall be excused for the period of such delay, provided that the provisions hereof shall not operate to excuse Tenant from prompt payment of rent or any other payments required by Tenant hereunder. Lack of funds will not be a basis for avoidance or delay of any obligation under this Lease.

33. Waiver. The failure of either party to insist upon strict performance of any of the covenants or conditions of this lease in any one or more instances shall not be construed as a waiver or relinquishment for the future of any such covenants or conditions, but the same shall be and remain in full force and effect.

34. Governing Law and Attorney's Fees. This Lease will be governed by the laws of the state in which the Leased Premises is located. The Landlord and Tenant each agree that in the event of any dispute or litigation involving this lease, that the prevailing party shall be entitled to recover all of its costs, including reasonable attorney's fees, whether resolved by way of a lawsuit or otherwise.

35. Successors and Assigns. This lease shall be binding upon the parties hereto, their permitted successors in interest and assigns.

36. Time. Time is of the essence of this lease and every term, covenant and condition herein contained.

37. Notices. Every notice given under this Lease will be effective only if it is in writing and delivered (i) in person, (ii) by courier, (iii) by reputable overnight courier guaranteeing next business day delivery, or (iv) sent postage prepaid by United States certified mail, return receipt requested, directed to the other party at its address provided below, or such other address as either party may designate by notice given from time to time in accordance with this Section 38. Notices will be effective (i) in the case of personal or courier delivery, on the date of delivery as evidenced by a written receipt signed on behalf of the receiving party, (ii) if by overnight courier, one (1) business day after the deposit of the notice with all delivery charges prepaid, and (iii) in the case of certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or five (5) business days after the date of posting by the United States Post Office. The rent payable by Tenant under this Lease will be paid to Landlord at the payment address set forth below. The notice and payment addresses for Landlord and Tenant are as follows:

If to Tenant:	Northwest Restaurants, Inc. 18815 139 th Ave NE, Suite C Woodinville, WA 98072 Tel: 425-486-6336
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